International Journal of Research
Available at https://edupediapublications.org/journals

p-ISSN: 2348-6848
e-ISSN: 2348-795X
Volume 02 Issue 11
November 2015

Inclusive Growth of India: Need and Challenges

Ishwar Singh
Lecturer in Commerce
Govt. Sr. Sec. School (3874)
Kanina, Distt: Mohindergarh (HR)

ABSTRACT: *Economic growth reflects in human growth and is absolute only when the growth is qualitative. Inclusive growth is a synonym for equity and equality. Performance in external sector and country's inclusive growth are in-separable in a globalised economy. Though all economic activities may not receive equal returns in the domestic and external sectors, policy initiatives and voluntary commitment of the affluent organizations can help realizing inclusive growth through helping development in the other sectors of economy. Growth is less likely to be sustainable with high or growing inequalities, and inequality can hamper growth. The need for more 'comprehensive growth' has now been recognised in many countries As these countries experience economic growth, their development challenges remain. Income inequalities have risen in many countries. Regional inequalities tend to be deeply entrenched, The government and private sector can play Complementary roles in driving inclusive growth. There is a need for the public and the Private sector in India to have a unified approach towards how they can extend, innovate, and pool resources in new ways to drive inclusive growth. This paper elaborates the need to build Inclusive India and emphasizes why it is imperative to focus on inclusive growth now. It presents the opportunities available for building an inclusive India by identifying key levers in governance, education, energy and resources, telecom and technology, infrastructure, Healthcare, financial inclusion, and business model innovation. It also highlights some of the challenges why efforts to build an Inclusive India in the past have had only limited success and What can be done healthier in the future so that inclusive growth is realized?*

KEYWORDS: Inclusive, Healthcare, Innovations, Infrastructure, Economic Growth.

p-ISSN: 2348-6848
e-ISSN: 2348-795X
Volume 02 Issue 11
November 2015

INTRODUCTION: Inclusive growth is a concept that advances equitable opportunities for economic participants during economic growth with benefits incurred by every section of society. The microeconomic dimension captures the importance of structural transformation for economic diversification and competition, while the macro dimension refers to changes in economic aggregates such as the country's gross national product (GNP) or gross domestic product (GDP), total factor productivity, and aggregate factor inputs. First and most important is the objective of equality in growth i.e. That the growth is Shared equally by all the population. Related to this objective is the desirability of Growth being equal to or perhaps even higher for the poorer sections of the Population. Note that these objectives say nothing about the static distribution of income. It can be equal, or highly unequal. If the growth rates are similar, then the Distribution of income will broadly stay at its original value. Equal growth rates will Mean that whatever growth occurs, it was inclusive. There should be some growth, preferably high growth. One can think of growth inclusion Tradeoffs i.e. If high growth comes at the expense of some exclusion, then it Is preferable to little or no growth for everybody. Growth should be inclusive across different sectors. In the case of India, there are Historical divides between different caste groups, as well as divides based on gender E.g. Girls have traditionally had lower levels of education than boys. In addition, growth should be relatively even across different regions and especially That the backward areas participate fully on a long-term, two to three decades, basis. Inclusion also means a trend towards equality of opportunity. This is an important Issue and topic in its own right. It is not explicitly dealt with in this paper; but there is Some discussion about the effects of education expansion on both equality of Opportunity and inclusion. And it is observed that equality of education broadly leads to an equality of outcomes. Inclusive growth should be self-perpetuating i.e. The growth should be of a long run Nature and should be reinforcing. The pace of poverty reduction is Indicative of inclusion. Poverty reduction depends on growth and where the poverty Line is relative to the distribution of consumption. With inclusive growth, the poverty Gap (difference between the average incomes of the poor and the poverty line) should Reduce over time. This will

p-ISSN: 2348-6848
e-ISSN: 2348-795X
Volume 02 Issue 11
November 2015

ensure that within the poor, there is 'equal' progress. Sustainable economic growth requires inclusive growth. Maintaining this is sometimes difficult because economic growth may give rise to negative externalities, such as a rise in corruption, which is a major problem in developing countries. Nonetheless, an emphasis on inclusiveness—especially on equality of opportunity in terms of access to markets, resources, and an unbiased regulatory environment—is an essential ingredient of successful growth. The inclusive growth approach takes a longer-term perspective, as the focus is on productive employment as a means of increasing the incomes of poor and excluded groups and raising their standards of living. In order to create a better and sustainable future, Governments, Corporates and NGOS will need to work collectively and playing their respective roles Most effectively. Organisations will also be required to innovate in several Areas in order to offer products and services at affordable price range, to a large size market segment.

SALIENT FEATURES OF INCLUSIVE GROWTH: The growth is inclusive growth when it is socially inclusive, regionally balanced, which enables every state to do better than in the past, which narrows the gap between different communities, which also brings in our concern for gender equality, upliftment of women, improving their educational condition and social status. The key features of Inclusive growth are as follows:

- Economic growth is a precondition for inclusive growth, though the nature and composition of growth has to be conducive to inclusion. Inclusive growth is to include the poor and lagging socio-economic groups such as ethnic groups, weaker sections as well as lagging regions as partners and beneficiaries of economic growth.
- The Inclusive growth addresses the constraints of the excluded and the marginalised. It has to open up opportunities for them to be partners in growth. Inclusive growth should be non-discriminatory and favourable for the excluded.
- This implies that inclusive growth has to be broad-based in terms of coverage of regions, and labour-intensive in terms of creating large-

p-ISSN: 2348-6848
e-ISSN: 2348-795X
Volume 02 Issue 11
November 2015

scale productive employment opportunities in the economy.

- Inclusive growth is expected to reduce poverty faster in the sense that it has to have a higher elasticity of poverty reduction.
- Inclusive growth has to ensure access of people to basic infrastructure and basic services/capabilities such as basic health and education. This access should include not only the quantity, but also quality of these basic services.

REVIEW OF LITERATURE:

Arthur Blakemore and Berthold Herrendorf (2009) concluded in their report that Economic growth is critically important for individual well-being. Specifically, even small differences in growth rates over long horizons lead to large differences in living standard. Economists have learned a great deal about growth and development and a consensus is forming.

Kirkpatrick (2000) Emphasized that Finance is an essential part for the human development. Financial development is considered to be an integral factor in the economic growth of a country. So far, many studies have noted that a well functioning financial system that mobilizes savings, allocates resources, and facilitates risk management contributes to economic growth by supporting capital accumulation, improving investment efficiency, and promoting technological innovation.

Persson and Tabellini (1994) argues that inequality is harmful for economic development because inequality generates a pressure to adopt redistributive policies that have an adverse effect on investment and economic growth, this research advanced the hypothesis that inequality, in the presence of credit market imperfections, may be detrimental for human capital formation and economic development.

Robert D. Atkinson, (2008) emphasized in his article that Global major economies have been transformed by the forces of technology, globalization, and entrepreneurship and that the doctrines guiding economic policy makers have not kept pace. Robert Atkinson explores innovation economics is a new economic framework for the 21st century to build a framework for poverty alleviation. In the global billion poor can be the engine of the next round of global trade and prosperity.

According to the World Bank (2008) report that access to financial service implies an

p-ISSN: 2348-6848
e-ISSN: 2348-795X
Volume 02 Issue 11
November 2015

absence of obstacles to the use of these services, even though there were some difficult obstacles is price or non price barriers to finances. The majority of the developing countries had failed to make this distinction can complicate efforts to defined and measure access. Financial market imperfections, such as information asymmetries and transaction costs, are likely to be especially binding on the talented poor and on micro- and small enterprises that lack collateral, credit histories, and connections. Without inclusive financial systems, these individuals and enterprises with promising opportunities are limited to their own savings.

NEED FOR INCLUSIVE GROWTH IN INDIA:

Inclusive growth is necessary for sustainable development and equitable distribution of Wealth and prosperity. Achieving inclusive growth is the biggest challenge in a country like India. In a democratic country like India, bringing 600 million people living in rural India Into the mainstream is the biggest concern. The challenge is to take the levels of growth to all Section of the society and to all parts of the country. The best way to achieve inclusive growth Is through developing people's skills. Mr. Jeffrey, Chairman & CEO of Manpower Planning, USA, said that, a multifaceted approach towards education and skills development is Necessary to achieve grow. He said the challenge of skills shortage can be addressed through Public private partnership. Since independence, significant improvement in India's economic And social development made the nation to grow strongly in the 21stcentury. The following Factors encouraged the India to concentrate more on inclusive growth

• India is the 7th largest country by area and 2nd by population. It is the 12th largest economy at market exchange rate . Yet, India is far Away from the development of the neighborhood nation, i.e., China.

• The exclusion in terms of low agriculture growth, low quality employment growth, Low human development, rural-urban divides, gender and socialite qualities, and Regional disparities etc. Are the problems for the nation.• Reducing of poverty and Other disparities and raising of economic growth are the key objectives of the nation Through inclusive growth.

• Political leadership in the country plays a vital role in the overall development of the Country. But, the study has found that politicians in India have a very low level of Scientific literacy.

• Studies estimated that the cost of corruption in India amounts to over 10% of GDP. Corruption is one of the ills that prevent inclusive growth. Although child labour has been banned by the law in India and there are stringent Provisions to deter this inhuman practice. Still, many children in India are unaware of Education as they lives are spoiled to labour work.

• Literacy levels have to rise to provide the skilled workforce required for higher Growth.

• Economic reforms in the country are overwhelmed by out dated philosophies and Allegations by the politicians and opposition parties in India.

• Achievement of 9% of GDP growth for country as a whole is one of the boosting Factor which gives the importance to the Inclusive growth in India.

• Inclusiveness benchmarked against achievement of monitor able targets related to(i) Income & Poverty, (ii) education, (iii) health, (iv) women & children, (v)infrastructure, (vi) environment.

• Even at international level also, there is a concern about inequalities and exclusion And now they are also taking about inclusive approach for development.

ELEMENTS OF INCLUSIVE GROWTH:

According to Prime Minister, Sri. Manmohan Singh, the key Components of the inclusive Growth strategy included a Sharp increase in investment in Rural areas, rural infrastructure and agriculture spurt in credit For farmers, increase in rural Employment through a unique Social safety net and a sharp Increase in public spending on Education and health care. The interrelated elements of Inclusive growth are:

• Poverty Reduction

• Employment generation And Increase in quantity & quality of employment.

• Agriculture Development

• Industrial Development

• Social Sector Development

• Reduction in regional disparities

• Protecting the environment.

• Equal distribution of income

ISSUES AND CHALLENGES:

India currently faces several issues and challenges in the area of Financial Inclusion for Inclusive growth. Salient among them are stated here below;

p-ISSN: 2348-6848
e-ISSN: 2348-795X
Volume 02 Issue 11
November 2015

1. SPATIAL DISTRIBUTION OF BANKING SERVICES Even though after often emphasized policy intervention by the government and the concerted efforts of Reserve Bank of India and the public sector banks there has been a significant increase in the number of bank offices in the rural areas; but it is not in tune with the large population living in the rural areas. For a population of 70% only 45% of bank offices provide the financial services

2. REGIONAL DISTRIBUTION OF BANKING SERVICES The analysis by the authors brings to the fore that there has been uneven distribution of the banking services in terms of population coverage per bank office in the six regions viz; Northern, North-eastern, Eastern, Central, Western and Southern regions of the country.

3. OVERCOMING BANKERS' AVERSION FOR FINANCIAL INCLUSION Even though no banker openly expresses his aversion for the financial inclusion process, overtly it can be noticed that they are averse to it in view of the cost aspects involved in opening of no frill accounts.

4. BANK BRANCHES Bank branches are required to be increased as it has a direct impact on the progress of financial inclusion. It is clearly established that as the bank branches increase number of bank accounts also increase significantly.

5. POVERTY LEVELS Poverty levels are having direct relationship with the progress of financial inclusion. The authors have established in their study that as the poverty levels decrease financial inclusion also increase. As such, there should be multi fold strategic approach in such poverty dominated areas for financial inclusion.

CONCLUSION: Indian economy has changed a lot over the past 60 years. Over the next 40 years the changes could be dramatic. The result shows that if things go right, the Indian economy could become an important source of growth to the world economy. Our projections are optimistic, in the sense that they assume reasonably successful development Any kind of long term projection is subject to a great deal of uncertainty, and we need to be mindful that India" s growth transition is unlikely to be smooth or devoid of shocks. The present

p-ISSN: 2348-6848
e-ISSN: 2348-795X
Volume 02 Issue 11
November 2015

attempt may not be conclusive in itself to estimate potential growth.

REFERENCES:

- Ahluwalia, Montek S., N. Carter, and H. Chenery. (1979) Growth and Poverty in Developing Countries". Journal of Development Economics 6, 399-341.
- Asian Development Bank (August 2010); "Key Indicators for Asia and the Pacific 2010";
- Amitabh Kundu and K. Varghese (2010), Regional Inequality and Inclusive Growth" in India under Globalization: Identification of Lagging States for strategic Intervention, working papers series, Oxfam India.
- Arthur Blakemore and Berthold Herrendorf,2009)Economic Growth: The Importance of Education And Technological Development, W. P. Carey School of Business, Arizona State University, Arizona, P.P 3-5
- Dollar, D. And A. Kraay (2002) "Growth Is Good for the Poor." Journal of Economic Growth7, pp. 195–225
- Dev, S.Mahendra (2006), "Inclusive Growth in India: Performance, Issues and Challenges",
- First Dr. P.R. Dubashi Lecture,(2006) , Gokhale Institute of Politics and Economics, November 29, 2007
- Elena Ianchovichina and Susanna Lundstrom, (2009) Inclusive growth analytics: Framework and application", Policy Research Working Paper Series 4851, The World Bank.
- "Fostering Inclusive Growth" by N. B. Rao published in Prospectus. 41st ed.; this publication was accessed at: http:// www.adb.org/Documents/Books/ Key_Indicators/2010/pdf/Key-Indicators-2010.pdf
- Kirkpatrick, c.(2000) Financial Development Economic Growth and poverty reduction, the Pakistan Development Review, vol 39(4), pp.363-388
- Persson,T. and Tabellini, G., 1994, Is Inequality Harmful for Growth? American Economic Review, 84, 600-21.

- Robert D. Atkinson And David b. Audretsch, Economic Doctrines and Policy Differences: Has the Washington Policy Debate Been Asking the Wrong Questions?,2008
- The World Bank, Finance for All: polices and Pitfalls in Expanding Access published by the World Bank, Washington DC.2008, P.P: 5-12
- http://www.gktoday.in/blog/inclusive-growth-and-issues-arising-from-it/